

**STATE COMPENSATION INSURANCE FUND
INVESTMENT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

March 2, 2017

The Investment Committee met on March 2, 2017 at the State Fund Vacaville Office, 1010 Vaquero Circle (Learning Center), Vacaville, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at noon and the following Members were present: Chair Sen. Michael J. Machado (Ret.); Marvin P. Kropke; and William M. Zachry.

Absent by prior arrangement: Jack L. Neureuter.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary Margie R. Lariviere; Chief Financial Officer Peter A. Guastamachio; and Treasury and Investment Program Manager and Assistant Corporate Secretary Stephanie K. Chan.

AGENDA ITEM 2: ANTITRUST ADMONITION

Senator Machado called attention to and requested acknowledgment that the Investment Committee members read State Fund's Antitrust Admonition included in each Committee member's meeting materials.

AGENDA ITEM 3: CONSENT CALENDAR

3a. Approval of November 17, 2016 Open Meeting Minutes

3b. Approval of Investment Transactions

- i. Bond Transactions
- ii. Compliance Report

Sen. Machado asked whether any Committee member had any comments on the items on the Consent Calendar of which there were none.

MOTION: Mr. Kropke

SECOND: Mr. Zachry

To approve the Consent Calendar as presented.

Sen. Machado requested public comment of which there was none. Sen. Machado called for the vote.

YES: 3

NO: 0

Abstain: 0

Motion carried.

AGENDA ITEM 4: MARKET OUTLOOK AND ECONOMIC UPDATE

Donald Kilbride, Equity Portfolio Manager at Wellington Management Company, reviewed the capital market in 2016 and provided a market outlook and economic update for the coming year. The 2016 financial market performance was a tale of two halves. High-quality and conservative stocks performed relatively well in the market during the first half of the year. However, after the United Kingdom's (UK) decision to leave the European Union (widely known as Brexit), market volatility returned and cyclical equity sectors outperformed during the "risk-on" environment. The market rallied after the election of Mr. Trump. Investors expect that the Trump administration will spur higher economic growth and corporate profits in response to deregulation and higher infrastructure spending. Mr. Kilbride noted that the current sovereign debt is high and will grow as interest rates increase, which may have a negative long-term impact on economic growth. During this time of uncertainty, it is more important than ever to have a disciplined investment philosophy and prudent management process.

AGENDA ITEM 5: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 7, 9 through 11

Sen. Machado requested public comment on the appropriateness of Closed Session Agenda Items 7, 9 through 11, of which there was none.

AGENDA ITEM 6: PUBLIC COMMENT

Sen. Machado requested other public comment, of which there was none. The Investment Committee immediately convened into Closed Session at 12:10 p.m.

AGENDA ITEM 12: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 1:25 p.m. and the following Members were present: Chair Sen. Michael J. Machado (Ret.); Marvin P. Kropke; and William M. Zachry.

Absent by prior arrangement: Jack L. Neureuter.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary Margie R. Lariviere; Chief Financial Officer Peter A. Guastamachio; and Treasury and Investment Program Manager and Assistant Corporate Secretary Stephanie K. Chan.

AGENDA ITEM 13: COMMITTEE MEMBER PRESENTATIONS

Sen. Machado requested presentations from the Committee members, of which there were none.

AGENDA ITEM 14: PROPOSALS AND SUGGESTIONS FOR MAY 18, 2017 AGENDA

Sen. Machado requested suggestions for agenda items for the May 18, 2017 Investment Committee meeting other than the standing agenda items, of which there were none.

Sen. Machado requested public comment, of which there was none, and he noted that the next Investment Committee meeting is scheduled for May 18, 2017 at the State Fund San Francisco Office, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Investment Committee, the meeting adjourned at 1:30 p.m.

Respectfully submitted,

Stephanie K. Chan
Assistant Corporate Secretary